

ND DEPARTMENT OF PUBLIC INSTRUCTION FALL CONFERENCE

MANAGING FEDERAL FUNDS

OCTOBER 9, 2014

*A LOOK AT THE CROSS-CUTTING REQUIREMENTS FOR ACCEPTING AND
EXPENDING FEDERAL FUNDS.*

By Stephanie Gullickson, Director of Fiscal Management
ND Department of Public Instruction

Today's Topics

- Federal Program Eligibility
- Determining if expenses are allowable under federal programs
- Standards for Financial Management Systems
- Source Documentation
- Time & Effort Reporting
- Audits vs. Compliance Monitoring
- Additional Items of concern with federal funding
 - ▣ Record Retention
 - ▣ Equipment Inventory
 - ▣ Carry-Over
 - ▣ Tracking Federal Funds
- Future Key Issues

Title Eligibility

- Title I Eligibility (calculated annually)
 - ▣ Census Poor Count x .155
 - ▣ Foster Child Count x .155
 - ▣ Eligible Free Count x .46
 - ▣ Eligible Reduced Count x .23
 - ▣ These amounts are added to determine the aggregate unit – must be >10 to be eligible
- Title IIA Eligibility
 - ▣ All schools are eligible to receive a hold-harmless amount from a base year (SY 2001-2002)
 - ▣ Any additional funds received from USDE are allocated based on a 80/20 formula (80% poverty / 20% enrollment)

Determining if Expenses are Allowable Under Federal Grants

- All costs charged to any federal funds received by the school district must pass these 4 tests:
 - ▣ Necessary
 - ▣ Reasonable
 - ▣ Allocable
 - ▣ Legal under state and local law

Necessary & Reasonable Test

- The necessary and reasonable test - costs must be necessary & reasonable for the proper and efficient performance and administration of the grant.
 - ▣ Necessary – does the cost address an existing need and can the LEA prove it?
 - ▣ Reasonable – can the cost pass the ‘prudent person’ test? Is it reasonable in the nature and cost of the expense?

Allocable & Legal

- Costs are allocable to a federal program if goods & services are assignable to the program “in accordance with relative benefit received”
 - ▣ Ex. If teacher is paid with Title I funds at 50%; then that teacher must spend at least 50% of time providing a benefit to the Title I Program.
 - ▣ Ex. Any equipment purchased 100% with federal funds must be used exclusively for that grant.
- Costs must always be allowable under state and local laws.

Standards for Financial Management Systems

- EDGAR 80.20 details the 7 standards for financial management systems for federal grants.
- All SEA & LEA systems must follow these standards *at a minimum*
 - ▣ Financial Reporting
 - ▣ Accounting records
 - ▣ Internal controls
 - ▣ Budget control
 - ▣ Allowable cost
 - ▣ Source documentation
 - ▣ Cash management

7 Standards - Defined

- **Financial reporting** – recipients of federal funding must maintain enough information about activities to enable submission of complete and accurate reports. (i.e. Mid-Year and Final Financial Reports)
- **Accounting records** – recipients must maintain records that adequately identify where funds came from and how they were spent. (i.e. \$2,000 for XYZ Consulting Service)
- **Internal controls** – recipients must maintain effective controls for all cash, property and other assets & ensure they are used solely for authorized purposes. (i.e. expense approvals, reconciliations, asset inventory)

7 Standards – Defined (continued)

- **Budget control** – recipients must compare budgeted amounts to actual expenditures (i.e. reconcile actual expenses with budget to ensure funds are spent in accordance with budget and allowable activities or if budget revision is necessary. Also critical to ensure school district ledger matches approved budget (i.e. STARS) or school must complete budget revision). (Most common issue – found during ledger reviews)

7 Standards – Defined (continued)

- **Allowable costs** – expenses for federal programs must be allowable under the awards (ex. No equipment purchased with Title IIA funds).
- **Source documentation** – must maintain appropriate documentation to support every expenditure (i.e. cancelled checks, bills, time and effort records, contracts.) Paying for any service in object code 300 requires a contract document – sample template at: <http://www.dpi.state.nd.us/title1/resource/sample.pdf>
- **Cash management** – requesting funds on a reimbursement basis. (LEAs cannot have a cash balance in ledger for any federal title program).

What is Acceptable Source Documentation?

- Grant recipients must maintain appropriate documentation to support every federal expenditure. Accounting records must be supported by source documentation such as:
 - ▣ Cancelled checks
 - ▣ Paid billings
 - ▣ Time and attendance reports
 - ▣ Contracts (must have contract on file for any expenditures in object code 300)
- Lack of documentation is one of the primary reasons for audit findings every year which could require the school district to have to re-pay federal funds to the SEA.

Time & Effort Reporting

- Federal law requires all employees that are paid with federal funds document the time and effort they spend within that federal program.

- Why should I care?

One of the most frequent and potentially costly audit/monitoring findings has to do with insufficient time and effort documentation. Compliance is simple to check ‘did the LEA maintain appropriate time and effort documentation?’ If not then salaries and associated fringe benefits may be disallowed and federal funds would need to be paid back to the government.

Time & Effort Reporting (cont)

- OMB Circular A-87 has detailed standards for time and effort documentation identifying the federal programs on which an employee worked for a designated time period.
 - ▣ Single Cost Objective – employee works solely on a single activity. (May be supported by semi-annual certification.)
 - Semi-annual certification – can be used when fully or partially federal funded staff have a fixed schedule but should be accompanied by documentation of time spent on program (i.e. copy of daily planner, schedule, time sheet) Sample certification language: ‘From 1/1/14 to 6/30/14 Steph Gullickson spent 100% of her time on Title I activities as evidenced by the enclosed schedule’ – signed by employee and supervisor.
 - Permanent schedule – most common documentation used when individual is paid with federal funds and has a fixed schedule each day. (Should be on file and updated throughout the school year)

Time & Effort Reporting (cont)

- Multiple Cost Objective – employee is expected to work on multiple programs and/or has a varying schedule. For these positions, personnel activity reports are required and at a minimum be:
 - After-the-fact record: must be created after the work is completed to give a true reflection of work on a specific program.
 - Include total activity: must account for total activity for which each employee is compensated including part-time schedules.
 - Monthly: must be prepared at least monthly.
 - Signed and dated: must be signed and dated by the employee and supervisor.

Audits vs. Compliance Monitoring

- Audits done by external auditors
 - ▣ Review or complete financial statements
 - ▣ Typically sample a number of transactions
 - ▣ Review internal controls
- Compliance Monitoring
 - ▣ EDGAR 80.40 requires NDDPI to monitor their sub-grantees (LEAs) to ensure compliance with applicable federal requirements and that performance goals are being achieved.

Audits vs. Compliance Monitoring (cont)

- NDDPI is ultimately responsible for the \$33M in federal Title I funds.
- Biggest difference b/w audit or monitoring – NDDPI monitoring (either desk monitoring or on-site visits) are targeted at a specific program(s) and because NDDPI is responsible to the USDE, monitoring must delve deeper into program and financial compliance.

A-133 Audits

- Sub recipients that annually expend \$500,000 or more in federal funds, either singly from DPI or in combinations with other agencies, are responsible for obtaining an A-133 audit. (i.e. NDDPI, DHS)
- Federal assistance includes federal reimbursement payments and the value of donated commodities.
- The audits shall be performed by an independent auditor in accordance with generally accepted government auditing standards covering financial audits.
- Sub recipients expending less than \$500,000 annually, still must maintain records of financial assistance and upon request provide access to such records by state or federal agencies, but are not required to obtain an A-133 audit.
- DPI sends annual notice to gather information if each School District is required to obtain A-133 audit. Form needs to be signed and returned to NDDPI by September 30th.

Additional Items of Concern with Federal Funding



- Retention of Records
- Equipment Inventory
- Carry-Over
- Tracking Federal Funds

Retention of Records

- Recipients of federal funds must retain financial and program records to show compliance with program requirements.
- Records and source documents for financial data must be kept for a period of three years, the starting date of which begins on the day the final report is submitted. (exception is litigation or audit findings, records held until resolution)
- Acceptable forms of source documentation includes:
 - ▣ Cancelled checks, paid billings or invoices, time and attendance records (for payroll), contracts/leases, etc.
- **** *There may be more stringent record retention policy at the local level, this is the minimum federal requirement. (ex. 5 year retention required at school district)***

Equipment Inventory

- School districts that expend federal funds on equipment are required to maintain an equipment inventory. Any equipment over \$750 and all computers, iPads, iPods, document cameras, desks, etc. regardless of cost must be tracked on an inventory system. The inventory must include at a minimum:
 - ▣ Description of equipment
 - ▣ Serial number or other identifying number
 - ▣ Purchase date
 - ▣ Cost of Equipment
 - ▣ % Federal participation in cost
 - ▣ Any disposition data (including date and sale if applicable)

Carry-Over Funds

- School districts are given a grant award for a one-year time period (July 1 – June 30). When the school is unable to spend the entire grant award amount during that time period, carry-over may be an option.
- The Federal Title Programs have a limitation on how much of the initial grant can be carried over and used during the next school year.

- Title I (Varies see table)

- Title IIA – 50%

- Title III – No limit

- REAP – 50%

If your allocation for the current school year is	Your maximum carryover percent of the current year's allocation
Over \$50,000	15%
Over \$45,000	20%
Over \$40,000	25%
Over \$35,000	30%
Over \$30,000	35%
Over \$25,000	40%
Over \$20,000	45%
\$20,000 or Less	50%

Carry-Over Funds (Cont)

- Carryover funds from the previous school year are added to the current year allocation to create a new budget for the current school year.
- Carryover is spent like regular federal funds, but NDDPI will reimburse using old funds first (FIFO).
- If carryover exceeds limits for Title IIA and REAP, it is forfeited.
- If carryover exceeds limits for Title I, school had 2 options:
 - School can request waiver to keep excess carryover once every three years.
 - Funds are forfeited and reallocated to a different district through an application process.

Tracking Federal Funds

- ❑ Worksheet was created as a guideline
- ❑ Some programs have federal and local expenditures; need to track separately.
- ❑ REAP into Title I, must maintain separate budget for REAP and Title I – 2 separate project codes.
- ❑ NDDPI strongly encourages schools to use these codes for consistency
- ❑ Found on NDDPI website at:
<http://www.dpi.state.nd.us/title1/resource/trackfedfund.pdf>

Tracking Federal Funds (cont)

Using <u>FEDERAL</u> Funds to Support Expenditures					
Fund	Project Code	Instructional Organization	Program Code	Function	Object Code
01	068 Title I Helping Disadvantaged Students	20 Elementary	261 Title I	1000 Instruction	110 Professional Salary
	069 Title I Neglected and Delinquent	30 Middle	270 Title III	2000 Support Services	120 Non-professional Salary
	070 Title I Migrant Education	40 Secondary	290 Title IIA		200 Employee Benefits
	071 Title I Parent Involvement Set-aside		298 Other Federal Program		300 Purchased Prof. & Technical Services
	072 Title I Education for Homeless Children				430 Maintenance
	073 Title I School Choice/SES				580 Travel
	074 Title I Program Improvement PD				600 Supplies & Materials
	075 Title II Part A Teacher/Principal Training				730 Equipment ≥ \$750
	077 Title III Language Instruction				800 Dues, Memberships, & Registration Fees
	079 Title IV Part B 21 st CCLC				900 Indirect Costs
	082 REAP/Transferability				
	089 REAP—Small Rural Schools Program				
	101 Additional Program Improvement Funds				

Using <u>LOCAL</u> Funds to Support Expenditures					
Fund	Project Code	Instructional Organization	Program Code	Function	Object Code
01	068 Title I Helping Disadvantaged Students	20 Elementary	000 Unassigned	1000 Instruction	110 Professional Salary
	069 Title I Neglected and Delinquent	30 Middle	110 Kindergarten	2000 Support Services	120 Non-professional Salary
	070 Title I Migrant Education	40 Secondary	120 Elementary		200 Employee Benefits
	071 Title I Parent Involvement Set-aside		130 Middle		300 Purchased Prof. & Technical Services
	072 Title I Education for Homeless Children		140 Secondary		430 Maintenance
	073 Title I School Choice/SES				580 Travel
	074 Title I Program Improvement Prof. Dev.				600 Supplies & Materials
	075 Title II Part A Teacher/Principal Training				730 Equipment ≥ \$750
	077 Title III Language Instruction				800 Dues, Memberships, & Registration Fees
	079 Title IV Part B 21 st CCLC				900 Indirect Costs
	082 REAP/Transferability—Title I				
	089 REAP—Small Rural Schools Program				

Future of Title I & Title II, Part A

- The federal funding charts on USDE website show estimates for FY 15-16 with level funding for Title I and a reduction for Title II, Part A
- *But, this is not a guarantee!! Very difficult to predict!*
 - ▣ *Poverty counts*
 - ▣ *Overall Funding Levels*
 - ▣ *President & Congressional priorities*
- Short answer – I don't know...



Future Key Issues

- Restriction on purchasing food with federal funds.
 - ▣ Change in federal policy strongly discourages use of federal funds for food and beverages at professional development events.
 - ▣ USDE FAQ
<http://www2.ed.gov/policy/fund/guid/gposbul/gposbul.html> In general, very high burden of proof to show purchasing food/beverages with federal funds justifiable.
 - ▣ It is still allowable to reimburse travel expenses of staff attending conferences that are necessary to carry out the federal title programs and include a per diem for food.

Future Key Issues (cont)

□ Super Circular

- ▣ OMB revised federal grant regulations and combined 8 circulars into 1; 'super circular'
- ▣ What does this mean to school districts?
 - Potential change in time and effort reporting
 - Change in allowable expenses
 - Single Audits (A-133) threshold moving from \$500,000 to \$750,000
 - Indirect cost rates potential change

Resources Available

- NDDPI website <http://www.dpi.state.nd.us/>
- Title I Fiscal Tool Kit
- Title IIA Fiscal Tool Kit – coming soon!
- *General Requirements for Federal Programs Manual*
- Feel free to contact me or your Federal Title Contact person anytime!!



Thank you!!!

Feel free to contact me:

Steph Gullickson

sgullickson@nd.gov

701-328-2176